

COMMUNICATOR

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Special Points of Interest

- ❑ SOP 50-10(5) Revised
- ❑ Contract opportunities arise with SBA-Navy partnership
- ❑ Increased funding for 504 Loan programs

Helping small businesses
start, grow and succeed.



Your Small Business Resource

SBA changes heating oil dealer size standard: Federal loans to help small heating oil distributors

On August 13, Mark Hayward, Rhode Island district director, the Rhode Island Oil Institute, oil dealers and local lenders met to discuss financing options and technical assistance programs. One of the main topics of discussion was the fact that home heating oil is getting more and more expensive; even some retail distributors can barely afford it. To help, the Small Business Administration has revised the small business size standard for the heating oil dealers industry (North American Industry Classification System (NAICS) code 454311) from \$11.5 million in average annual receipts to 50 employees,

and the size standard for the Liquefied Petroleum Gas (Bottled Gas) Dealers industry (NAICS code 454312) from \$6.5 million in average annual receipts (AAR) to 50 em-



ployees. This change which is effective August 21, 2008, gives small heating oil distributors better access to loans they may need to stay in business.

The SBA said it is making

the change, first proposed in October, because large and fluctuating increases in the prices of heating oil and propane over the past several years indicate that a more stable measure of company size is needed.

While the wholesale price of home heating oil has slightly fallen, the average is still around 75 percent higher per gallon than this time last year. Because the price has risen so dramatically, small retail distributors may be unable to borrow enough money to pay up front for the home heating oil they need to deliver to customers.

SBA partnership with the Navy will provide contract opportunities

The U.S. Small Business Administration and the Department of Navy has signed a Memorandum of Agreement that will improve federal contracting opportunities for more than 240 small disadvantaged firms participating in the SBA's 8(a) Business Development program. Under the agreement, the Naval Sea Systems Command will use its Sea-



Port-e Web-based services acquisition tool containing Multiple Award Contracts to award federal contracts directly to firms

participating in the 8(a) program. The 8(a) program is a business development program that

provides management and technical assistance, and assistance in identifying federal contracting opportunities to socially and economically

disadvantaged businesses. These firms will have the opportunity to perform 22 types of services, including research and development support, engineering and acquisition logistics support.

Under the agreement, the Navy will be able to expedite the competition and award process directly with 8(a) firms without SBA as an intermediary.

Additional information about the MOA can be accessed at: www.sba.gov/idc/groups/public/documents/sba_homepage/news_08-70.pdf



"Thistle announced that he had some initial success from the public relations effort; B-Fresh Gum was accepted by Whole Foods."

Robert and Ada Thistle came in to discuss the best way to move their product into a national sales position. Robert, a Ph.D. scientist, invented a breath-freshening gum that is totally natural and, because it does not use any chemicals, does not leave any after-taste. He holds a U.S. patent on this product and has a great deal of impressive science supporting the products. The scientific principal is to raise the pH level of the saliva in the mouth to reduce the presence of bacteria. Vitamins may be added as a health supplement. Dr. Thistle has also invented a spray device to introduce vitamins sublingually, and is working on a breath mint as well. His wife, Ada, a nurse, works very closely with Bob in the business.

Their marketing approach when they first came to the RISBDC included a premium price point to identify the product with high quality. They sell their products exclusively online via a third-party operated Web site. The company had seen steady growth through this approach to the market.

The Thistles' goal was to expand this company to a national and even international sales position. They understand that this will involve significant investment or commercial debt. They want to analyze all the possibilities to determine how best

to proceed.

RISBDC regional director Douglas Jobling introduced the Thistles to RISBDC consultant Tim McEnerney. He suggested that they consider entering the retail sales market in addition to the Web site. He also strongly recommended a public relations effort to gain more exposure for the product. Tim pledged to contact some PR professionals to gain such exposure.

In doing so, Tim reinforced Jobling's recommendation that the Thistles analyze their financial picture so as to be able to free up cash for a strong marketing effort. This need was reinforced when Bob Thistle announced that he had some initial success from the public relations effort – B-Fresh Gum was accepted by Whole Foods. B-Fresh at the time had grown to a distribution system selling to over 200 independent retailers. The necessity to ramp up production even further required a fresh infusion of capital. As would be expected the fast growth of the company had placed strains on cash flow.

Jobling alerted Bob and Ada to the Town of Smithfield Revolving Loan Fund. The Revolving Loan Fund would not offer a lot of money, but might be helpful as mezzanine financing. In addition, Jobling assigned RISBDC consultant John Nelson, an extremely experienced former commercial lender at several Rhode Island banks, to help the Thistles analyze their financial picture and explore various financial alternatives.

Nelson provided extensive assistance to help them analyze their revenue trends, complete a full set of financial statements (Income Statement, Balance Sheet, and

Cash Flow) and prepare projections for each of those statements. After getting those documents in proper order, he helped them to complete an SBA loan application.

As a result of this assistance, the Thistles were approved for an SBA-guaranteed 7(j) loan by Coastway Credit Union.

In the winter term of 2007/2008, Gary Marcotte, a Johnson & Wales marketing student, was hired to lead a market expansion and product development effort. Gary contacted Professor John Krupa to solicit help from the Jr. Consultant program in the College of Business. Professor Krupa referred Lauren Marchitto, a graphics design student, to Gary. It wasn't more than a couple of weeks before Gary saw how much the company could use Lauren's design talent to modify the product packaging and website, thus revitalizing the brand. The company hired Lauren, on a part-time basis, to help with multiple marketing and marketing communication efforts. This is a wonderful example of leverage. When clients take the time to work with students the initial investment yields returns much greater than the initial investment. Collaborating with community resources can create a win/win situation for all stakeholders.

National Ombudsman releases annual report

The Office of the National Ombudsman at the U.S. Small Business Administration recently released its annual report to the 110th Congress, rating federal agencies' responsiveness to the regulatory enforcement and compliance issues faced by small businesses during fiscal year 2007.

The ONO significantly increased its responsiveness to small businesses, handling over 500 cases involving regulatory or compliance issues. Federal agencies decreased its response time to these cases from 52 days in 2006 to 27 days in 2007.

Last year, federal agencies across the board improved their

compliance efforts. This year, the National Ombudsman recognized six federal agencies for their extraordinary efforts in responding to small businesses' regulatory enforcement cases.

The National Ombudsman's 2007 and additional information about the Office of the National Ombudsman is available at www.sba.gov/ombudsman.



Mark S. Hayward

From the District Director's Desk

As we approach the end of the Federal fiscal year we still have much to accomplish. The summer of 2008 has been extremely busy. We have been working with the Rhode Island Oil Institute and our local fuel oil dealers to overcome some of the obstacles in getting the needed access to capital to keep operations in place over the upcoming winter season.

The agency very rapidly revised the size standards from a dollar amount to number of employees for this industry. This action now makes nearly all of the Rhode Island oil heat dealers eligible for SBA guaranteed loans.

This was a very educational process for all of us. We now know that 78 percent of all heating oil used, is in the northeastern part of the United States. In Rhode Island, 44 percent of all homes heat with oil, with similar percentages in neighboring Massachusetts and Connecticut.

The New England SBA district directors and regional administrator have taken the lead in suggesting changes to programs that will enable the industry to access needed lines of credit for this winter. In fact, we have suggested to SBA Central Office in Washington

allow our participating lenders to utilize the "Seasonal Line of Credit" to more efficiently respond to the needs of Rhode Islands small businesses affected by the rise in oil prices.

The district office is working on the "2009 Rhode Island Economic Summit," which will be held on January 9th, 2009. This will be the 3rd annual summit sponsored by SBA and the Rhode Island Small Business Development Center at Johnson and Wales University. The "Summit" is an excellent forum that encourages dialogue between the Executive, Legislative Branches and the Rhode Island small business community.

The Summit will include 150 small business owners. Governor Carcieri has again committed to attending the bulk of the meeting. We look forward a successful event and the participation of our elected leadership.

"In Rhode Island, 44 percent of all homes heat with oil, with similar percentages in neighboring Massachusetts and Connecticut."

2009 Rhode Island Economic Summit

**"The Future of
Small Business"**

1/9/09



SAVE THE DATE! ~ MED WEEK

The U.S. Small Business Administration (SBA) and the Hispanic American Chamber of Commerce of Rhode Island (HACCRI) will co-sponsor the annual Rhode Island Minority Enterprise Development (MED) Week celebration at the Crowne Plaza in Warwick, RI, on Tuesday, October 14 through Thursday, October 16, 2008. This weeklong series of events provides local businesses with the opportunity to become educated on important business issues through free seminars, showcase their goods and services at the Business Expo and celebrate the contributions of individuals and businesses that have made an extraordinary impact in the state during our award dinner.

2008 Rhode Island Minority Enterprise Development Week
Tuesday October 14th — Thursday October 16th, 2008
The Crowne Plaza Hotel, 801 Greenwich Ave., Warwick, RI

~SBA's Participation or support of this event is not an endorsement of the views, opinions, products or services of any co-sponsor or other person or entity. All SBA programs or co-sponsored programs are extended to the public on a non-discriminatory basis. Reasonable arrangements for persons with disabilities will be made if requested at least two weeks in advance by contacting Virginia Thimas at SBA, 380 Westminister Street, Providence, RI 02903 or call (401) 528-4561. SBA Authorization 08-0165-99



"Of the 376,604 high impact firms identified by researchers nationwide, 1,297 are located in Rhode Island."

High-Impact Firms Create Rhode Island's Jobs And Growth

High-impact firms create Rhode Island's new jobs and growth, according to a study recently released by the Office of Advocacy of the U.S. Small Business Administration. Distributed across all industries, high-impact firms account for almost all employment and revenue growth in the national economy, the study concludes.

Of the 376,604 high impact firms identified by researchers nationwide, 1,297 are located in Rhode Island. That number represents 2.42 percent of Rhode Island's firms. The study *High-Impact Firms: Gazelles Revisited*,

defines high-impact firms as those whose sales have at least doubled over a four-year period and which have an employment "growth quantifier" (the firm's absolute change in employment multiplied by the percent change) of two or more.

The study notes that such firms are found across all industries and in all geographic regions. It ranks regions, states, metropolitan statistical areas, and counties by their percentage of high-impact firms. The study finds, with some data limitations, that high-impact firms are not start-ups but are on average around 25 years old, and that

they come in all size classes. The report also documents that over the periods studied, nearly all job losses came from large, low-impact firms.

"High-impact firms are important to Rhode Island's economic growth and development," said Dr. Chad Moutray, Chief Economist for the Office of Advocacy. "State policy makers would be wise to consider how their policies can encourage such firms."

For a complete copy of the report and rankings of high-impact firms by region, state, MSA, and county, visit the Office of Advocacy website at www.sba.gov/advo

SBA to increase funding for 504 loan program

Beginning August 18, companies with a net worth of up to \$8.5 and as much as \$3 million in annual earnings may borrow from the SBA 504 program.

Congress created the SBA 504 program to help small businesses gain favorable financing terms and re-

tain operating cash while expanding. Companies buy real estate, buildings and equipment with SBA 504 financing. A recent national study of the program said borrowing companies return \$94 in tax revenue for every \$1 of SBA 504 funding they receive.

For more information on

the 504 loan program, or for other general information on SBA loan programs visit <http://www.sba.gov/services/financialassistance/sbaloantopics/index.html>, or contact Marilyn Bogue, Lender Relations Specialist at the RI District Office at 401-528-4561.

SBA launches electronic disaster loan application

Disaster victims may now go online to file an application for recovery assistance from the U.S. Small Business Administration. The electronic loan application can be accessed via the SBA's secure Web site at <https://disasterloan.sba.gov/ela/>.

Homeowners and renters

who suffered damages to their homes and personal property following a declared disaster (by the President or the SBA Administrator) may apply for disaster loan assistance online. Businesses and non-profit organizations can go online to apply for assistance to cover losses to real estate and property, as well

as economic injury.

Questions about the electronic loan applications can be directed to SBA's Disaster Customer Service Center at 1-800-658-2955, or by sending an e-mail to disastercustomerservice@sba.gov.

SOP 50-10

Revised environmental definition and reliance letter

SOP 50 10, which governs 7(a) and 504 loan processing as well as the requirements to become and remain a 7(a) lender (Lender) or a Certified Development Company (CDC), was completely rewritten and, in March 2008, SOP 50 10(5) was made available with a delayed effective date. On June 6, 2008, SBA issued technical corrections to SOP 50 10(5) (see Notice 5000-1057) and extended the effective date to August 1, 2008.

Since its release SBA has continued to receive feedback on the revised SOP. As a result of the feedback received from the lending community and from environmental professionals, SBA has modified the definition of "Records Search with Risk Assessment and the Reliance Letter.

The definition of "Records Search with Risk Assessment" was modified to

clarify that any number of historical use records may be utilized based upon the judgment of the environmental professional conducting the search. The revised definition of "Records Search with Risk Assessment" now reads as follows:

"Records Search with Risk Assessment" means and includes (1) a search of the government databases identified in 40 CFR § 312.26⁵ for an AAI compliant Phase I as well as a search of historical use records (for example, aerial photography, city directories, reverse directories and/or fire insurance maps) pertaining to the Property and Adjoining Properties; and (2) a risk assessment by an Environmental Professional based on the results of the records search as to whether the Property is either "high risk" or "low risk" for Contamination.

SBA also revised the Reliance Letter to: (1) clarify that

the maximum amount of liability to an environmental professional or their firm will not exceed the \$1,000,000 in errors and omissions liability insurance that they are required to maintain; (2) clarify that the Lender or SBA may provide the borrower with a copy of the environmental report *for informational purposes only*; (3) state that an environmental professional may be employed by or affiliated with the lender but must be independent of and not a representative, employee or affiliate of the borrower or operating company; (4) incorporate provisions to recognize that environmental professionals may be working with environmental firms; and (5) add a signature block for an environmental firm to sign if applicable.

"The SBA offers several very successful loan programs that veterans can take advantage of."

Getting Veterans Back to Business:

How the SBA financially integrates veterans back into the business world

The veteran's small business guide was developed by the SBA for small business owners returning from an active tour. The guide provides tools, planning resources and information needed to help re-establish their small business.

The SBA offers several very successful loan programs

that veterans can take advantage of. Some of these programs include the basic

7(a) Loan Guaranty, the 504 loan program, Microloan, a 7(m) Loan Program, and most specifically, the Military Reservist Economic Injury Disaster Loan Program.

The purpose of the Military Reservist Economic Injury Disaster Loan program (MREIDL) is to provide funds to eligible small businesses to meet its ordinary and neces-

sary operating expenses that it could have met, but is unable to meet, because an essential employee was "called-up" to active duty in their role as a military reservist.

These loans are intended only to provide the amount of working capital needed by a small business to pay its necessary obligations as they mature until operations return to normal after the essential employee is released from active military duty.

For more information on how the SBA can help you if you are a veteran visit:

www.sba.gov/vets



SBA Seeks Nominees for 2009 Rhode Island Small Business Awards

Each year the President of the United States designates one week to recognize the small business community's contributions to the American economy and society. In the spring of 2009, the SBA will honor our nation's outstanding contributors. Nominations are now being accepted for the 2009 Rhode Island Small Business Awards. Winners will be honored during the Rhode Island Salute to Small Business celebration next spring.

AWARD CATEGORIES

- ☐ **Small Business Person of the Year:** For developing an outstanding, growing business; innovative product, increasing jobs, increasing sales, overcoming adversity, and community contributions.
- ☐ **Small Business Exporter of the Year:** Significantly increased export sales and profits, encouraging other firms to export, increased jobs through exports, and innovative methods of creating markets.
- ☐ **SBA Young Entrepreneur of the Year:** Owner will not reach their 30th birthday by June 1, 2008, three-year evidence of success in sales and profits, increased jobs, innovative products, demonstrated potential.
- ☐ **Jeffrey Butland Family Owned Small Business** - A family owned business that has passed from one generation to another and owner has responsibility for operating the business with at least a 15 year track record.
- ☐ **Entrepreneurial Success Award** - Must own and operate business initially launched as small business according to SBA size standards and subsequently developed into a large business; and they must have received SBA assistance to help the business grow.
- ☐ **Small Business Champions of the Year:** Those who promote small business, including volunteering time and services to small business interests and groups, advocating the cause of small business in the legislative process. Champions may or may not be small business owners.

- ☐ **Minority Small Business Champion**
- ☐ **Small Business Journalist Champion**
- ☐ **Home Based Business Champion**

- ☐ **Women in Business Champion**
- ☐ **Veteran Small Business Champion**
- ☐ **Financial Services Champion**

NOMINEE INFORMATION

I nominate _____ Title _____ Company _____
Address _____ City _____ State _____ Zip _____
Phone _____ Fax _____ E-mail _____

NOMINATOR'S INFORMATION

Nominator _____ Title _____ Company _____
Address _____ City _____ State _____ Zip _____
Phone _____ Fax _____ E-mail _____

Reply by October 17, 2008

Mail or fax (401-528-4539) this form to:
Small Business Administration,
Attn: Small Business Awards Committee
380 Westminster Street, Room-511, Providence, RI 02903

Guidelines and criteria for each of the awards are available from the Rhode Island District Office by calling 401-528-4561 or visit the website at www.sba.gov/ri. For further consideration, a nomination binder with required information will be requested. The SBA will contact the nominee directly for the required information. Self-nominations are accepted.

Rhode Island SBA Lender Rank
Fiscal Year 2008 – October 1, 2007 to July 31, 2008

7(a) Approved Loans by Loans and Volume

1. Citizens Bank	69	\$2,596,700
2. The Washington Trust Company	44	\$9,173,300
3. Coastway Credit Union	44	\$7,494,500
4. Bank Rhode Island	39	\$4,796,500
5. Sovereign Bank	25	\$3,131,000
6. Westerly Community Credit Union	12	\$592,400
7. Home Loan and Investment Bank	9	\$3,995,000
8. BankNewport	8	\$575,000
9. CIT Small Business Lending Corporation	5	\$3,227,500
10. Webster Bank	5	\$700,000
11. Bank of America	5	\$135,000
12. UPS Capital Business Credit	4	\$1,424,087
13. TD Bank North	2	\$450,000
14. Rockland Trust Company	2	\$300,000
15. PNC Bank	2	\$192,000
16. Greenwood Credit Union	2	\$150,000
17. Capital One F.S.B.	2	\$75,000
18. Business Lenders	1	\$540,000
19. New Alliance Bank	1	\$450,000
20. Independence Bank	1	\$445,000
21. United Central Bank	1	\$400,000
22. NewportFed	1	\$300,000
23. Business Development Company of R.I.	1	\$250,000
24. Minority Investment Development Corporation	1	\$150,000
25. Mansfield Cooperative Bank	1	\$100,000
26. Millennium Bank	1	\$50,000
27. Navigant Credit Union	1	\$50,000
28. Bank Five	1	\$30,000
29. Freedom Bank	1	\$30,000
30. Banco Popular	1	\$25,000
31. Unibank for Savings	1	\$19,000
32. Wells Fargo Bank	1	\$15,000

Total 7(a) Loans :

294

\$41,862,087

Certified Development Companies (504 Loans)

1. Ocean State Business Development Authority	22	\$8,131,000
2. New England Certified Development Corporation	5	\$2,058,000
3. R.I. Community Development Corporation	1	\$498,000
4. Bay Colony Development Corporation	1	\$249,000

Total 504 Loans

29

\$10,936,000

Participating Lenders – SBA 504 Loans

1. Coastway Credit Union	6	\$1,807,500
2. Sovereign Bank	3	\$1,434,500
3. The Washington Trust Company	3	\$1,390,000
4. Webster Bank	2	\$2,416,500
5. BankNewport	2	\$1,192,500
6. Citizens Bank	2	\$1,000,000
7. Bank of America	2	\$802,500
8. CIT Small Business Lending	1	\$680,000
9. Digital Federal Credit Union	1	\$605,500
10. Freedom Bank	1	\$500,000
11. Zion's First Nat'l Bank	1	\$367,500
12. Hometown Bank	1	\$345,000
13. Greenwood Credit Union	1	\$310,000
14. Bank Rhode Island	1	\$249,000
15. NewportFed	1	\$237,500

SBA MicroLoans - RI Coalition for Minority Investment

2

\$45,000

Total Loans

325

\$52,843,087



Rhode Island District Office

380 Westminster Street, Room 511
Providence, RI 02903-3246

Official Business

Penalty for Private Use, \$300

SBA Communicator

News from the Rhode Island District Office

August 2008

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Communicator is available by subscribing at www.web.sba.gov/list. All of the SBA's programs and services are provided to the public on a non-discriminatory basis.

SBA Loans Enrich Your Portfolio



SBA loan-guaranty programs are good business for you and your small business customers. In a tightening credit market, an SBA guaranty provides relief from the cost of funding loans.

Benefits include:

- Protect 50 to 85 percent of your loan with an SBA guaranty.
- Expand lending opportunities while promoting your other lender services.
- Reduce your risk when offering credit to less established businesses.

Look for a visit from an SBA lender relations specialist, or for more information, go to www.sba.gov/banking.



All SBA programs and services are provided on a nondiscriminatory basis.

U.S. Small Business Administration